

**Junior Achievement
of Northern New England, Inc.**

Financial Statements
and
Independent Auditors' Report
June 30, 2019 and 2018



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Junior Achievement of Northern New England, Inc.

We have audited the accompanying financial statements of Junior Achievement of Northern New England, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Achievement of Northern New England, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Junior Achievement of Northern New England, Inc. adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Daniel Dennis & Company LLP

November 21, 2019

Junior Achievement of Northern New England, Inc.

Statements of Financial Position

June 30, 2019 and 2018

<i>Assets</i>		
	<i>2019</i>	<i>2018</i>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 154,103	\$ 128,969
Accounts receivable	52,500	61,217
Pledges receivable	318,989	185,197
Current investments	-	-
Inventory	2,081	1,881
Prepaid expenses	<u>14,812</u>	<u>13,854</u>
Total current assets	<u>542,485</u>	<u>391,118</u>
<i>Long Term Assets</i>		
Investments, at fair value	783,094	767,204
Security deposit	12,000	9,988
Property and equipment, net	<u>46,157</u>	<u>6,067</u>
Total long term assets	<u>841,251</u>	<u>783,259</u>
Total assets	<u>\$ 1,383,736</u>	<u>\$ 1,174,377</u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 132,866	\$ 85,323
Refundable advances	132,100	130,600
Line of credit	<u>-</u>	<u>135,000</u>
Total current liabilities	<u>264,966</u>	<u>350,923</u>
<i>Long Term Liabilities</i>		
Deferred rent payable	<u>12,098</u>	<u>-</u>
Total long term liabilities	<u>12,098</u>	<u>-</u>
Total liabilities	<u>277,064</u>	<u>350,923</u>
<i>Net Assets</i>		
Net assets without donor restrictions	(94,439)	(413,574)
Board designated net assets	<u>617,580</u>	<u>739,133</u>
Total net assets without donor restrictions	523,141	325,559
Net assets with donor restrictions	<u>583,531</u>	<u>497,895</u>
Total net assets	<u>1,106,672</u>	<u>823,454</u>
Total liabilities and net assets	<u>\$ 1,383,736</u>	<u>\$ 1,174,377</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Statements of Activities

For the Years Ended June 30, 2019 and 2018

	2019			2018		
	<i>Net Assets Without Donor Restrictions</i>	<i>Net Assets With Donor Restrictions</i>	<i>Total June 30, 2019</i>	<i>Net Assets Without Donor Restrictions</i>	<i>Net Assets With Donor Restrictions</i>	<i>Total June 30, 2018</i>
	<i>Public Support and Revenues</i>					
Contributions:						
Corporations	\$ 379,173	\$ 149,272	\$ 528,445	\$ 383,364	\$ 151,817	\$ 535,181
Individuals	199,641	-	199,641	148,433	-	148,433
Foundations	252,687	241,033	493,720	177,368	134,725	312,093
Total contributions	831,501	390,305	1,221,806	709,165	286,542	995,707
Special events	941,857	-	941,857	730,155	-	730,155
Less special events expenses	(239,617)	-	(239,617)	(232,612)	-	(232,612)
Net special events income	702,240	-	702,240	497,543	-	497,543
Government revenue	-	-	-	-	-	-
Investment return, net	19,459	4,542	24,001	17,530	3,803	21,333
Unrealized gain on investments	5,781	2,003	7,784	8,314	2,714	11,028
Realized gains on investments	9,737	1,577	11,314	14,692	2,195	16,887
In-kind contributions	13,010	-	13,010	300	-	300
Other income	21,880	-	21,880	10,198	-	10,198
Net assets released from restriction						
Purpose restrictions	312,791	(312,791)	-	182,536	(182,536)	-
Time restrictions	-	-	-	-	-	-
Total public support and revenues	1,916,399	85,636	2,002,035	1,440,278	112,718	1,552,996
<i>Expenses</i>						
Program expenses	1,186,777	-	1,186,777	971,335	-	971,335
Management and general expense	324,710	-	324,710	251,778	-	251,778
Fundraising	207,330	-	207,330	206,598	-	206,598
Total expenses	1,718,817	-	1,718,817	1,429,711	-	1,429,711
Change in net assets	197,582	85,636	283,218	10,567	112,718	123,285
Net assets, beginning of year	325,559	497,895	823,454	314,992	385,177	700,169
Net assets, end of year	523,141	583,531	1,106,672	325,559	497,895	823,454

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Statements of Functional Expenses

For the Years Ended June 30, 2019 and 2018

	2019				2018			
	<i>Program</i>	<i>General and Admini- stration</i>	<i>Fund Raising</i>	<i>Total Expenses</i>	<i>Program</i>	<i>General and Admini- stration</i>	<i>Fund Raising</i>	<i>Total Expenses</i>
Salaries and related expenses	\$ 836,004	\$ 203,917	\$ 156,079	\$ 1,196,000	\$ 660,260	\$ 167,828	\$ 156,359	\$ 984,447
Program materials	147,745	-	-	147,745	144,781	-	-	144,781
Rent	61,729	15,057	11,525	88,311	64,108	16,295	15,182	95,585
License fee	18,515	7,916	18,850	45,281	18,932	7,693	17,417	44,042
Office expenses	8,459	2,063	1,580	12,102	6,400	1,626	1,516	9,542
Travel, auto and meals	24,154	5,891	4,510	34,555	20,781	5,282	4,921	30,984
Professional fees	-	62,789	-	62,789	-	39,564	-	39,564
Telephone	4,970	1,212	928	7,110	4,706	1,196	1,115	7,017
Insurance	8,464	409	312	9,185	7,535	380	354	8,269
Training	13,639	8,911	2,546	25,096	5,393	4,106	1,277	10,776
Public relations	-	-	2,521	2,521	-	-	810	810
Interest expense	6,726	1,641	1,256	9,623	3,893	990	922	5,805
Equipment lease	1,882	460	351	2,693	4,985	1,267	1,180	7,432
Scholarships	10,000	-	-	10,000	6,000	-	-	6,000
Payroll and bank fees	13,546	3,412	3,019	19,977	11,159	2,941	3,113	17,213
Depreciation	3,737	911	698	5,346	2,726	693	646	4,065
Bad debt expense	2,516	614	470	3,600	1,509	384	357	2,250
Utilities	2,164	528	404	3,096	2,417	615	573	3,605
Other expenses	<u>22,527</u>	<u>8,979</u>	<u>2,281</u>	<u>33,787</u>	<u>5,750</u>	<u>918</u>	<u>856</u>	<u>7,524</u>
Total expenses	<u>\$ 1,186,777</u>	<u>\$ 324,710</u>	<u>\$ 207,330</u>	<u>\$ 1,718,817</u>	<u>\$ 971,335</u>	<u>\$ 251,778</u>	<u>\$ 206,598</u>	<u>\$ 1,429,711</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	2019	2018
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 283,218	\$ 123,285
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,346	4,065
Bad debt expense	3,600	2,250
Net unrealized gain on investments	(7,784)	(11,028)
Net realized gain on sale of investments	(11,314)	(16,887)
Net investment income	(24,001)	(21,333)
Changes that provide/(use) cash:		
Accounts receivable	8,717	(53,176)
Pledges receivable	(137,392)	(95,724)
Inventory	(200)	(150)
Prepaid expenses	(958)	(6,371)
Security deposit	(2,012)	-
Accounts payable and accrued expenses	47,543	39,399
Deferred rent liability	12,098	-
Refundable advances	<u>1,500</u>	<u>36,000</u>
Net cash provided by operating activities	<u>178,361</u>	<u>330</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from the sale of investments	161,486	187,315
Purchase of investments	(134,277)	(166,489)
Purchase of equipment	<u>(45,436)</u>	<u>(561)</u>
Net cash (used in)/provided by investing activities	<u>(18,227)</u>	<u>20,265</u>
<i>Cash Flows from Financing Activities</i>		
Payment on line of credit	(185,000)	(25,000)
Proceeds from line of credit	<u>50,000</u>	<u>60,000</u>
Net cash (used in)/provided by financing activities	<u>(135,000)</u>	<u>35,000</u>
Net increase in cash and cash equivalents	25,134	55,595
Cash and cash equivalents - beginning of year	<u>128,969</u>	<u>73,374</u>
Cash and cash equivalents - end of year	<u>\$ 154,103</u>	<u>\$ 128,969</u>
<i>Reconciliation to Cash and Cash Equivalents on the Statement of Financial Position</i>		
Cash and cash equivalents - current	\$ 154,103	\$ 125,079
Cash and cash equivalents - other	<u>-</u>	<u>3,890</u>
Total	<u>\$ 154,103</u>	<u>\$ 128,969</u>
<i>Supplemental information</i>		
Interest paid	<u>\$ 9,623</u>	<u>\$ 5,805</u>

See accompanying notes to financial statements.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements

June 30, 2019 and 2018

1. *Nature of Organization*

Junior Achievement of Northern New England, Inc. (the "Organization") is a Massachusetts not-for-profit organization. The Organization is a regional chapter of JA USA, an international organization. The mission of the Organization is to inspire and prepare young people to succeed in a global economy. The Organization is based in Bedford, Massachusetts and sponsors educational programs and events in eastern Massachusetts, central Massachusetts and New Hampshire. A description of the Organization's major programs is as follows:

Elementary School

The elementary school programs include five sequential themes for kindergarten through fifth-grade students. Students learn the basic concepts of business and economics and how education is relevant to the workplace. The sequential activities build on studies from each preceding grade and prepare students for secondary school and lifelong learning.

Middle School

The middle school programs for students in grades six through nine build on concepts the students learned in the elementary school program and help teens make difficult decisions about how to best prepare for their educational and professional future. The programs supplement standard social studies curricula and develop communication skills that are essential to success in the business world.

High School

As high school students, in grades nine through twelve, begin to position themselves for their future, there are many unanswered questions about what lies ahead. The Organization's high school programs help students make informed intelligent decisions about their future and foster skills that will be highly useful in the business world.

2. *Summary of Significant Accounting Policies*

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting for financial reporting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and expenses are recorded when goods are received or services rendered.

New Accounting Pronouncement

During fiscal year 2019, the Organization adopted the provisions of the Financial Accounting Standard Board's (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) - *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

2. *Summary of Significant Accounting Policies - Continued*

Net Asset Classification

Net assets of the Organization are classified into two categories based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Board of Directors has discretionary control over these net assets and may elect to designate such resources for specific purposes. This designation may be removed at the Board's direction.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value.

Contributions received without donor imposed restrictions, or with donor imposed restrictions that are satisfied in the same year received, are recorded as revenues within the unrestricted net asset class. Contributions received with donor imposed specific purpose or time restrictions that are not satisfied within the same year are recorded as revenue within net assets with donor restriction class. When a restriction has been satisfied (payment has been made in accordance with the restriction or the time restriction has expired), the net assets with donor restriction are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that do not expire are recorded as revenue within net assets with donor restrictions.

The Organization receives donated materials and services in support of its programs. Donated materials and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if they were not donated are recorded as in-kind contributions in the financial statements. Donated services such as fund-raising, clerical assistance, or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

2. *Summary of Significant Accounting Policies – Continued*

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization defines cash and cash equivalents as short-term, highly liquid investments with initial maturities of three months or less.

Refundable Advances

Cash received as payment in advance for participation in special events is recorded as refundable advances and is recognized as revenue when the event occurs.

Inventory

Inventory, consisting of program kits, is stated at the lower-of-cost or market based on the first-in first-out method.

Property and Equipment

The Organization capitalizes as property and equipment all purchases of assets having a useful life of more than one year and a cost greater than \$100. Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense while costs of significant renewals and betterments are capitalized. Equipment is depreciated over 5 years and furniture and fixtures over 5-10 years.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Pledges Receivable

Unconditional promises to give are recognized as revenue and receivables in the period in which the promise is made. Unconditional promises to give that are expected to be collected within the next year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in subsequent years are discounted to the present value of their net realizable value. An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year-end. The Organization has determined that all pledges receivable are collectible as of June 30, 2019 and 2018 therefore, no related allowance has been recorded.

Accounts Receivable

Accounts receivable represent amounts owed to the Organization for special event fees. An allowance for bad debt is provided based on management's evaluation of potential uncollectible accounts receivable at year-end. The Organization has determined that all accounts receivable are collectible as of June 30, 2019 and 2018; therefore, no related allowance has been recorded.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements - *Continued*

June 30, 2019 and 2018

2. *Summary of Significant Accounting Policies - Continued*

Functional Allocation of Expenses

Expenses are charged directly to programs or general and administrative based on specific identification. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs based on personnel time estimates. The statement of functional expenses reports expenses by functional and natural classification.

Fair Value Measurements

FASB *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Inputs - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2 Inputs - Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable, such as models or other valuation methodologies; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments and Investment Income

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statements of financial position. Investment income earned and unrealized gains/(losses) on unrestricted investments are reported as increases/(decreases) in unrestricted net assets, while unrealized gains and losses on permanently restricted investments are recorded as increases/(decreases) in net assets with donor restrictions, on the statement of activities.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2019 and 2018

2. *Summary of Significant Accounting Policies – Continued*

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the years ended June 30, 2019 and 2018, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

The Organization evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* to be sustained by the applicable federal and state authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the current year financial statements. The Organization has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2019 returns and believes they are *more-likely-than-not* to be sustained if examined by federal or state tax authorities. The Organization's fiscal year 2016 through 2018 tax years remain subject to examination by Federal and state tax authorities.

Reclassifications

Certain fiscal year 2018 amounts have been reclassified to conform to the fiscal year 2019 financial statement presentation.

3. *Property and Equipment*

Property and equipment as of June 30, 2019 and 2018 are summarized as follows:

	<i>2019</i>	<i>2018</i>
Office equipment	\$ 65,107	\$ 65,932
Furniture and fixtures	<u>31,634</u>	<u>18,810</u>
Total	96,741	84,742
Less accumulated depreciation	<u>(50,584)</u>	<u>(78,675)</u>
Property and equipment - net	<u>\$ 46,157</u>	<u>\$ 6,067</u>

Depreciation expense for the years ended June 30, 2019 and 2018 totaled \$5,346 and \$4,065, respectively.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2019 and 2018

4. *Line of Credit*

The Organization has a \$377,240 revolving line of credit with Merrill Lynch Global Wealth Management that has no stated expiration date, bearing interest at 3.125% and secured by the board designated endowment. At June 30, 2019 and 2018, the amount of debt outstanding on this line of credit totaled \$0 and \$135,000, respectively. Interest expense paid during fiscal year 2019 and 2018, was \$9,623 and \$5,805, respectively.

5. *Investments*

Investments consist of mutual funds at June 30, 2019 and 2018. Fair value of mutual funds is based on quoted prices in active markets.

For the years ended June 30, 2019 and 2018, interest and dividend income, totaling \$24,001 and \$21,333, respectively, net of investment expenses totaling \$7,574 and \$7,774, respectively, are reported as investment return in the statements of activities. For the years ended June 30, 2019 and 2018, net realized gains totaling \$11,314 and \$16,887, respectively, and unrealized gains totaling \$7,784 and \$11,028, respectively are reported as such in the statements of activities.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at June 30, 2019 and 2018.

	<u>2019</u>	<u>2018</u>
<i>Description</i>	<i>Level 1</i>	<i>Level 1</i>
Corporate Bond Funds	\$ 231,429	\$ 240,089
Multisector Bond Funds	252,173	240,221
Small Blend Funds	36,500	25,233
Large Blend Funds	85,338	142,658
Large Value Funds	54,109	48,271
Large Growth Funds	54,368	47,789
Natural Resources	30,794	15,930
Diversified Emerging Mkts	<u>38,383</u>	<u>7,013</u>
Total	<u>\$ 783,094</u>	<u>\$ 767,204</u>

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2019 and 2018

6. *Endowment*

The Organization's endowment consists of one permanently restricted fund and a board designated fund. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restrictions require the Organization to maintain permanently restricted net assets in perpetuity.

The Board of Directors of the Organization (the Board) has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not permanently restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified portfolio of liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price. The goal is, net of spending, to grow the aggregate portfolio value of the endowment by at least the rate of inflation, which based on historical trends, is estimated to be 3% per annum over the Organization's investment horizon (5 years), while adhering to the risk parameters established in the investment policy. Actual returns in any given year may vary from this amount.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Organization has a policy of appropriating for distribution each year any investment earnings in excess of 3% of the fund's total return per annum, which is measured based upon the moving average of the last three years' fund total return measured at the end of the month preceding the budget process. The exact amount spent is determined in the budget process and approved by the Board.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2019 and 2018

6. *Endowment – Continued*

A summary of the endowment activity is as follows:

	<i>2019</i>	<i>2018</i>
Endowment net assets - beginning of year	<u>\$ 880,817</u>	<u>\$ 831,509</u>
Investment return:		
Investment income	30,584	31,082
Contributions	2,335	-
Net appreciation (realized and unrealized)	<u>18,162</u>	<u>27,972</u>
Total investment return	51,081	59,054
Other transfers out	(154,987)	-
Withdrawals	(2,222)	(2,658)
Fees	<u>(7,303)</u>	<u>(7,088)</u>
Endowment net assets - end of year	767,386	880,817
Less permanently restricted net assets	(100,000)	(100,000)
Less temporarily restricted net assets	<u>(49,806)</u>	<u>(41,684)</u>
Endowment net assets without restriction	<u>\$ 617,580</u>	<u>\$ 739,133</u>

In prior years, the Organization borrowed a total of \$272,000 from the endowment to fund operations in accordance with their Fund Spending and Borrowing Policy Statement. During fiscal year 2019, the board voted to approve the removal of the loan and all accrued interest. At June 30, 2019 and 2018, the principal balance on this loan totaled \$0 and \$137,642, respectively. June 30, 2019 and 2018, accrued interest on this loan totaled \$0 and \$17,275, respectively.

7. *Lease Commitments*

The Organization leased its office facility under an operating lease that expired on January 31, 2019. During January 2019, the Organization leased new office space, that expires in March 2024. Under the terms of the operating lease, the Organization pays for certain pass through costs associated with the operation of the building. Rent expense for the years ended June 30, 2019 and 2018, totaled \$88,311 and \$95,585, respectively. Future minimum payments due over the remaining term of the lease are as follows:

<i>Year Ended</i>	
<i>June 30,</i>	<i>Amount</i>
2020	\$ 69,685
2021	\$ 71,487
2022	\$ 73,293
2023	\$ 75,099
2024	\$ 50,862

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2019 and 2018

8. *Inkind Contributions*

In-kind contributions of services and materials to support programs and special events have been recorded at fair value as both revenue and expense in the accompanying statements of activities. For the years ended June 30, 2019 and 2018, in-kind contributions totaled \$30,056 and \$35,112, respectively.

9. *Related Party Transactions*

The Organization pays Junior Achievement USA (JA USA) an annual license fee calculated as a percentage of revenues generated. License fee expense for the years ended June 30, 2019 and 2018, was \$45,281 and \$44,042, respectively. The Organization also purchases insurance and certain program materials from JA USA. Such purchases for the years ended June 30, 2019 and 2018, amounted to \$192,642 and \$170,454, respectively.

The Organization also made payments to other Junior Achievement affiliates for conferences and member dues. Fees paid to affiliates for the years ended June 30, 2019 and 2018, amounted to \$922 and \$360, respectively.

Amounts due to JA USA at June 30, 2019 and 2018, totaled \$15,590 and \$12,012, respectively.

10. *Pension Plan*

The Organization participates in a pension plan (the Plan) sponsored by JA USA. The Plan covers all employees with at least one year and 1,000 hours of service. Benefits are determined based on years of service and salary history. The Plan is funded by participating employers as assessed by JA USA. The Organization recognizes its required contribution for the year as pension expense and recognizes unpaid contributions required for the year as a liability. Plan assets are invested by JA USA. Participating employers who withdraw from the Plan remain liable for accumulated funding obligations. Total pension expense for each of the years ended June 30, 2019 and 2018, was \$29,631, and is included in salaries and related expenses in the statements of functional expenses.

11. *Concentrations of Credit Risk*

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statements of financial position.

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2019 and 2018

11. Concentrations of Credit Risk – *Continued*

The Organization’s bank account is held at a financial institution that is FDIC insured up to the maximum amount of \$250,000 per depositor. The balance on deposit in this account may exceed this insured limit at times during the fiscal year. The Organization has not experienced any losses in this account, and management believes that the Organization is not exposed to any significant credit risk on cash.

12. Net Assets with Donor Restrictions

The Organization’s net assets with donor restrictions at June 30, 2019 and 2018, consisted of the following:

<i>Description</i>	<i>2019</i>	<i>2018</i>
Net appreciation on endowment investments	\$ 49,806	\$ 41,684
Program restricted	<u>433,725</u>	<u>356,211</u>
Total	<u>\$ 483,531</u>	<u>\$ 397,895</u>

Additionally, the Organization has received public gifts with specific donor stipulations requiring that the principal be held in perpetuity and that only a portion of the income therefrom be used for specific program purposes. These resources are, by act of Congress, under the control of the board of directors who are required to maintain and invest the funds. The balance of net assets with donor restrictions held in perpetuity at June 30, 2019 and 2018 is \$100,000 for both the years ended.

13. Availability and Liquidity

The table below presents the Organization’s financial assets available within one year to meet its general expenditures at June 30, 2019:

<i>Financial assets at year end</i>	
Cash and cash equivalents	\$ 154,103
Accounts receivable	52,500
Pledges receivable	318,989
Investments, at fair value	<u>783,094</u>
Total financial assets	1,308,686
<i>Less amounts not available to be used within one year</i>	
Net assets with donor restrictions	<u>(583,531)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 725,155</u>

Junior Achievement of Northern New England, Inc.

Notes to Financial Statements – *Continued*

June 30, 2019 and 2018

13. *Availability and Liquidity – Continued*

As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization maintains a line of credit in the amount of \$377,240, which could be drawn upon in the event of an unanticipated liquidity need (see Note 4).

14. *Subsequent Events*

The Organization has evaluated subsequent events through November 21, 2019 which is the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2019, that requires recognition or disclosure in these financial statements.